

## **Part II Written Description Justifying the Rate Increase**

Anthem Health Plans of Kentucky, Inc. NAIC 95120  
Consumer Disclosure for Proposed Health Insurance Rate Increase  
Small Group Off Exchange Plans  
Rate Change Effective January 1, 2018

### Scope and Range of the Rate Increase

Anthem Health Plans of Kentucky, Inc. has made an application to the Kentucky Department of Insurance for premium rate changes for its fully ACA compliant Small Group health plan products. This filing includes an average rate increase of 4.0 percent, excluding the impact of aging, effective January 1, 2018. At the plan level, the rate increases range from -3.0 percent to 14.5 percent. A subscriber's actual rate increase could be higher or lower depending on the geographic location, age characteristics, dependent coverage, and other factors. While the rate increase on most plans is under 10 percent, some plans will experience a rate increase over 10 percent. Anthem estimates the rate increase on plans over 10 percent will impact approximately 500 members.

### Financial Experience

Anthem Health Plans of Kentucky, Inc. expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 82.8 percent, meaning more than eighty two cents of each premium dollar are expected to go to covering our members' medical expenses and improving health care quality. This projected MLR of 82.8 percent exceeds the minimum MLR requirement of 80 percent as defined in the Affordable Care Act ACA. In the event Anthem Health Plans of Kentucky, Inc.'s MLR is less than the Federal required minimum for a three year period, Anthem will refund the difference to policyholders, consistent with federal regulations.

### Drivers of Rate Increase

The primary drivers of premium increases are associated with increased cost of benefit expense for this ACA compliant block. Increased cost of benefit expense is driven by increases in the price of services primarily from hospitals, physicians and pharmacies, coupled with members increasing their use of health care services, also called "utilization". Increases in the price of services are driven by technological advances, new specialty medications, and a variety of other factors. Increased utilization is driven by member level utilization and selection patterns in the Guaranteed Issue, Community Rated ACA market.

Non benefit expense costs are also contributing to this 2018 rate increase. Absent a change in federal law, the health insurer fee returns in 2018. Premiums must be set to cover this fee, but we can remove those costs if federal policymakers repeal the fee or extend the moratorium through 2018.

### Efforts to Control Costs

Anthem Health Plans of Kentucky, Inc. is committed to working to hold down the cost of insurance and price the Small Group ACA market for long term sustainability. We continue to explore innovative collaboration with providers and negotiate deeper discounts at our hospitals. And we provide members with tools to make informed decisions about where and how to receive treatment. In addition, we are

investing in initiatives to reduce the cost of care, to promote wellness and preventative care, and to work with providers to encourage high quality, evidence based care.